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CENTRAL INTELLIGENCE AGENCY

THE JAPAN PEACE TREATY
PROBLEMS, ISSUES, AND REACTIONS

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THE JAPAN PEACE TREATY—PROBLEMS, ISSUES, AND REACTIONS

SUMMARY

The basic problem delaying conclusion of a peace treaty with Japan at the present time lies in the question of whether Japan is to be permitted to develop a democratic state or is to be eventually drawn into the Soviet orbit.

The Soviets for the present will negotiate only on their own terms. These terms include a veto power, the use of which could lead to an impasse in which only two practicable alternatives would be left: to delay formation of a treaty indefinitely or draw up a treaty without Soviet participation.

The first of these would allow continued US occupation of Japan. This, in effect, would give the US a military counterbalance to the Soviet position in the Far East and would permit continued democratization of Japan. On the other hand, indefinite delay might lead to the negotiation of a series of individual treaties whose possibly conflicting provisions would lead to confusion and an unstable international situation. However, the superior bargaining position which the US would enjoy as a result of its occupation of Japan might eventually cause the USSR to enter into treaty negotiations on US terms. This would be done by the Soviets with a view to eliminating US troops, weakening US influence, and providing the USSR with greater economic and political access to Japan.

The second alternative, that of a treaty not embracing the USSR, involves the question of whether or not all other interested powers would participate. The Chinese have implied that in view of Article II of the Sino-Soviet Treaty of 1945 which prohibits both countries from independently entering into negotiations with Japan, they probably will not be party to a treaty concluded without Soviet participation. A principal Chinese motive behind this stand is presumably a desire to obtain US aid. A reasonable assurance of assistance and support would probably overcome Chinese reluctance to participate. Should the Chinese not participate, the UK has indicated that it also may stay out. A treaty unsigned by these three nations would have little meaning.

Assuming a treaty without Soviet participation, general agreement on all important points could doubtless be obtained. It would have to be recognized, however, that if such a treaty were to be formulated, the USSR might be disinclined to supply Japan with needed raw materials from Soviet-controlled areas, and that the USSR would be in a position to receive most of the benefits of the treaty without accepting any of its obligations and thus would remain free to violate its provisions with impunity. The USSR, moreover, would have ample time to study the treaty's disadvantages and weak points, while the Japanese would be in a better position to manipulate US-Soviet mutual fear and suspicion to their own advantage.

Further discussion of problems arising from the Japanese peace treaty is contained in Enclosure A; a summary of the position of each power in Enclosure B.

Note: This paper has been coordinated with the intelligence organizations of the Departments of State, Army, Navy, and Air Forces.

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ENCLOSURE A

TREATY ISSUES

Were it not for the intransigence of the USSR, formation of a peace treaty for Japan should be a comparatively simple matter. All powers with Asiatic interests have proclaimed their desire: (a) to be secure from any future threat of Japanese aggression; (b) to see a Japan oriented toward "democratic" ideas; and (c) to restore Japan so that it can contribute to the economic stability of the world without becoming an economic threat.

Most of the interested powers, with the notable exception of the USSR, are in general satisfied with the democratic institutions now being developed in Japan under the new constitution. (The United Kingdom and its Dominions, however, are somewhat skeptical as to the degree of democratization that has been obtained, and raise what may indeed be a legitimate question as to whether these present democratic institutions will continue to develop without continued firm guidance and supervision from the Allied powers.)

It would appear then, that there should be no insurmountable difficulties in the formulation of an early peace. However, the real issue and the one that is of vital concern is whether or not Japan is going to be (a) permitted to continue to develop along democratic lines which will eventually enable it to make a large contribution to the economy of the Far East and Pacific area, or (b) be eventually absorbed, politically and economically, in the Soviet orbit.

The conditions outlined in (a) above could be brought about by the implementation of the US proposals which call for a treaty to be drafted by the powers actively engaged in the war with Japan, and for a simple two-thirds majority vote to govern the drafting. The US proposals, however, are unacceptable to the USSR.

1. FACTORS BEARING ON THE TREATY.

a. Soviet Reaction to US Proposals.

The Soviet Union is concerned primarily with preventing Japanese rehabilitation under the domination of the US and is dissatisfied, if not alarmed, by the preponderance of US influence in Japan. Interpreting US intentions as designed to build Japan into a springboard against the Soviet Union, the USSR will not at present attend the prospective Japanese peace treaty conference unless it can be sure that no proposal to which it has serious objections will be accepted.

In view of these aims, the USSR has been adamant in its position that the Japanese peace treaty shall in the first instance be undertaken by the Council of Foreign Ministers under the same conditions as were applied to the European treaties. Should Soviet protests be ignored and a peace conference called without the USSR, the Kremlin might eventually join in the negotiations with the aim of bringing about a peace treaty with Japan which would (a) further reduce US control in Japan, thus permitting a freer development of Communism, and (b) increase the possibility of Soviet exploitation of Japanese trade. While both these results are desirable from the Soviet standpoint, other considerations indicate that the Kremlin will, for the present,

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consider it more advantageous to abstain from participation unless assured of the right to veto.

By abstaining from participation in the peace conference the Kremlin would be in a position to take independent action at some future date. The peace treaty drawn up by the other powers could be adhered to or not, depending on the relative advantages to the USSR. The Soviets could receive most of the benefits of such a treaty without accepting any obligations and thus remain free to violate its provisions with impunity. Above all, the Soviet Union would be free to negotiate a separate peace with the Japanese. A Japan aware of the proximity of Soviet military strength and desirous of concluding peace with all its former enemies, might be persuaded to grant political and economic concessions which the Soviets would use to facilitate Communist penetration in Japan. The Japanese, on their part, would be in a better position to manipulate US-Soviet mutual fear and suspicion to their own advantage. Any treaty drawn up by a group of powers including the US but excluding the USSR would be designed to obviate this possibility. The USSR, however, as pointed out above, will not be bound by such a treaty and will have ample time to study its advantages, disadvantages and weak points.

b. Chinese Reaction to US Proposals.

The problem of convening the initial conference is further complicated by the attitude of China, which now finds itself caught squarely between the conflicting vital interests of the US and the USSR. China still desperately needs US aid, and for as long as the probability of obtaining such aid exists, China will be loath to oppose the US proposals for a peace conference either with or without USSR participation. Also, China's traditional policy of alignment with Western democratic powers may further tend to prevent collaboration with the Soviets.

On the other hand, the Soviet position in Siberia and Korea is an ever-present threat which cannot be opposed by China. Furthermore, the USSR is at present maintaining strong military forces in the Dairen-Port Arthur area and, by USSR interpretation of the Sino-Soviet agreement of August 1945, it may legally maintain these forces until peace with Japan has been formally established. The Chinese, painfully aware of this fact, will exert every effort to bring about Soviet participation in the forthcoming peace conference.

Finding itself thus facing a dilemma, China has endeavored to free itself by playing off the US against the USSR. Chinese key offiicals have made statements in public and in the press to the effect that China's interests in a peace treaty with Japan are parallel to those of the Soviets and that consequently a rapprochement with the USSR is desirable. In this connection emphasis has been laid by Chinese officials on Article II of the Sino-Soviet Treaty of 1945 whereby both countries "undertake not to enter into separate negotiations with Japan and not to conclude, without mutual consent, any armistice or peace treaty either with the present Japanese government or with any other government or authority set up in Japan which does not renounce all aggressive intention." At the same time, the US has been assured by no less a personage than the Generalissimo that China's fundamental foreign policy remains unchanged, and that the bonds of traditional Sino-US friendship are strong enough to weather the storm of clashing national interests regarding a peace with Japan.

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Whether or not China remains aloof from a conference not attended by the Soviets appears to be contingent upon the prospects for US aid to China. It appears that the Chinese would feel they could afford to interpret Article II of the Sino-Soviet Treaty so as to permit their attendance at a peace conference without Soviet participation only if sufficient guarantees are made by the US. There is a real danger that without hope of further US aid China may, in an attempt to postpone an inevitable Central Government collapse, align itself with the USSR. However, it is believed that any legitimate hope of US aid, plus the knowledge that a rapprochement with the USSR could lead only to eventual Communist control of all of China, would cause the Nationalist Government, in the final analysis, to support the US proposals.

c. UK Reaction to US Proposals.

The UK has expressed general agreement with US proposals; however, it has indicated that a conference from which both the USSR and China were absent would be futile and the success of a conference held without their participation would be jeopardized. Under these circumstances the UK would reserve its right not to participate. The UK believes, however, that Chinese participation can be assured by adequate US guarantees of assistance and support to China.

2. PROBABLE DEVELOPMENTS.

A consideration of the factors outlined in 1. above indicates that events relative to the future peace of Japan will probably develop along one of the following lines: (a) the formulation of the treaty could be postponed and Japan permitted to continue its development along present lines under SCAP or similar authority; (b) a treaty could be formulated without the participation of the USSR; or (c) a treaty could be formulated, participated in by the USSR but only under conditions dictated by the Soviets.

Postponement of the peace conference would present the US with certain advantages. It would: partially offset the Soviet position in the Far East by permitting the continued maintenance of US armed forces in Japan; greatly retard the infiltration of Communism into Japan; allow the continued development of Western democratic ideas and institutions and make possible further orientation of Japan toward the US. On the other hand, indefinite delay might eventually be terminated by a series of individual peace treaties whose conflicting provisions might give rise to a delicate and unstable international political and economic situation.

A treaty without the participation of the USSR could probably be formulated and all outstanding differences between the interested powers resolved without too great difficulty. Such a course of action would permit a settlement of the question of reparations and removals and a decision would be arrived at as to the future levels of Japanese industrial capacity. Thereupon, Japan would be able to rehabilitate her economy and accordingly contribute to the economic stability of Asia and the Pacific. In such case, however, the raw materials from Manchuria and the Soviet-controlled portion of Korea, as well as those from Communist-controlled North China might not be available to Japanese industry. The needed materials would then have to be supplied from Southeast Asia and Southwest Pacific areas and from the US.

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Moreover, such a treaty would leave the USSR with complete freedom of action. To avoid this, stringent provisions would have to be written into the treaty which might even involve a continued occupation of Japan by strong military forces.

It appears that, at present, the only way to insure Soviet participation would be the acceptance of Soviet conditions, *i.e.* that the treaty be initiated by the Council of Foreign Ministers with each possessing the right of veto. The effectiveness of this method, as illustrated by the attempt to formulate a peace with Germany, is now a matter of history. Furthermore, the interested powers, other than those represented by the Council of Foreign Ministers, would resist such a course of action with every means at their disposal.

It is possible, however, that at a later date the USSR might be willing to participate. Factors which would strongly influence Soviet participation would be (a) conviction on the part of the USSR that the "inevitable" economic depression in the US might not materialize and consequently US troops might remain in Japan indefinitely and/or (b) a large measure of Japanese political stability and economic recovery appears imminent. It is believed that under the circumtances mentioned above, Soviet self-interest may eventually impel them to relinquish the veto and assent to negotiations to be conducted according to US proposed procedure.

3. General Alignment of Powers.

Whether or not the USSR participates, seven countries may be expected to give general support, often strong support, to the US: Australia, Philippines, Canada, the Netherlands, UK, New Zealand, and France. The Philippines, France, and the Netherlands will follow the US lead very closely except on some minor issues. The UK, Canada, Australia, and New Zealand may on occasion find themselves torn between Commonwealth interests on the one hand and American interests on the other. In most instances, however, these interests will not diverge widely. The results of the Canberra Conference indicate that there will be no lining-up of the whole British Commonwealth to defeat the American position; rather the majority of these powers will support the US stand as the one which will insure their future security.

The most sensitive powers, aside from the USSR, will probably be China and India. China's immediate post-war opportunities for domination of Far-Eastern commerce are rapidly being diminished under the twin hammerings of internal strife and grave economic difficulties. Its attitude on any given issue will be conditioned by these factors combined with the pressure of internal public opinion, awareness of Soviet proximity, desire for prestige abroad, and hope of acquiring Japan's prewar dominance of Asiatic trade. In the final analysis, however, particularly if US aid appears to be forthcoming, China will probably support the US stand on most issues. India will desire to speak not only as a newly independent power but also, as far as possible, as spokesman for Southeast Asia. India's position will be colored by Pan-Asiatic sentiments which will result in opposition by India to any increase of Western influence or prestige in Asia.

Conflict between the US and powers other than the USSR appears to be most probable on the questions of reparations and economic recovery. The issue of Japanese economic recovery raises before the various powers the specter of Japanese economic and

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military aggression as well as the more immediate threat of commercial rivalry. As it now appears feasible to control Japan's industrial development through the limitation of her imports, the fears of the other nations may be moderated in favor of permitting a more rapid Japanese economic recovery, particularly as regards light industry.

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ENCLOSURE B

A SUMMARY OF THE POSITION OF EACH POWER

I. USSR

It is expected that for the present the USSR will not agree to attend the prospective Japanese peace conference under the conditions proposed by the American invitation. It will continue to demand veto or equivalent powers as a prerequisite for Soviet attendance. If at some future date the USSR should feel that its conditions for participation were being met, or that self-interest demands that it take part in a conference, it would probably pursue the following objectives:

a. The establishment of a post-treaty control structure establishing the Soviet right of veto;

b. The withdrawal of all occupation forces;

c. Arrangements to keep Japan's industry at a level which would make it impossible for Japan to rise as a military or strong economic power in the foreseeable future;

d. The elimination of Zaibatsu control over Japan's economy, a redistribution of land, the nationalization of major industries, and the granting to labor of a voice in the control over Japan's industry;

e. A reorganization of Japan's political structure in order to: limit if not altogether eliminate the Emperor; eradicate or radically restrict the influence of rightist political groups; and assure a maximum voice to a popular assembly in which trade-union and other groups (into which a large degree of Communist penetration would become possible) would dominate.

The cardinal principle behind such a program would be the establishment of conditions whereby American influence in Japan would be progressively weakened and Soviet influence correspondingly strengthened with the passage of time.

Present Soviet planning relies heavily on the eventual withdrawal of the US, forced by the "inevitable" depression in the US. In the meantime, the initial stages of Soviet penetration can be accomplished through the careful use of the Japanese Communists. This process has the advantage of being gradual; with proper administration no one step is likely to be sufficiently drastic to produce an effective reaction in other countries presumably occupied with internal difficulties. The threat of military forces located in nearby Soviet-controlled territories will provide effective psychological support for the Japanese Communists if and when the US forces are withdrawn. Should the depression and the withdrawal of US troops appear to the USSR to be indefinitely postponed, the possibility of its eventual participation in a peace treaty on US terms should not be overlooked.

The Soviet Union ultimately desires both agricultural and industrial production to be subordinate to and dependent upon the USSR. US policy in Japan now makes this objective immediately unattainable. As long as this occupation of Japan continues,

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the USSR will urge a low level of Japanese industry, particularly heavy industry. Should Soviet domination of Japan materialize, the USSR would probably build up only light industry and consumer goods production. Heavy industry would be confined to the Soviet Union and Soviet-dominated territory. Agriculturally, the USSR will support land redistribution, largely as a political measure to gain support for the Japanese Communists.

The USSR also desires domination of Japanese international trade. To further this objective, the Soviets will oppose any US attempt to revive Japanese trade along prewar lines. They will urge Soviet reparations from current production, and will strenuously attempt, through barter agreements, to obtain a strong foothold in Japanese trade for exploitation at some future date when Japanese trade is freed from allied control. The potential wealth and proximity of Siberia, combined with state-controlled trading, give the Soviets an advantage over private traders from the West in this respect. Should Soviet political domination of Japan materialize, the Soviets would be in a position to confine Japanese commercial relations to the Soviet Union, increasing Japanese dependence on the USSR.

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II. CHINA

China will not take a steadfast and consistent position with respect to the Japanese peace treaty. Most probably, the Chinese approach will develop in three distinct phases.

First of all, in view of the Sino-Soviet Treaty of 1945, China will make every effort to secure the participation of the USSR. Failing this, China probably will, though reluctantly, agree to participate in the conference without the USSR, if China believes US aid will be forthcoming.

Should the USSR attend the conference, the Chinese representatives will take a stand on the procedural phase of the conference, seeking to obtain a voting system that will give China a major voice along with the US, the USSR, and the UK, thereby minimizing the role of the British dominions, France, and the Netherlands.

When discussions of the treaty's substance begin, China will be a highly vocal advocate of a document containing a maximum of punitive provisions. This will be a necessary position for home consumption and will be maintained throughout most of the conference.

In the final stages, the Chinese negotiators are likely to accept the major items in the US position on the treaty, particularly if concessions of a prestige-making character can be secured on other issues. That is to say, the Chinese will accept a treaty that can be presented at home without danger of an overly violent adverse public reaction; to minimize this danger, the negotiators must have some victories, even minor ones, to carry back with them.

Japan's recovery would, the Chinese fear, restore the prewar pattern of Japanese economic predominance in the Far East. If Japan's export capabilities were to be limited by the peace treaty, China feels she might eventually become the major supplier of consumers' goods to the Far Eastern markets.

China's present economic situation is desperate. Inflation is running unchecked at home, and in international trade China's net position is very unfavorable. Within limits, trade relations with a reviving Japan would hold forth some promise of ameliorating this situation. For commodities such as salt, coal, and iron ore, Japan is China's chief market. At the same time, Japan might be a source from which China would obtain, at prices below those prevailing in world markets, some of the manufactured and semi-processed goods needed to sustain the economy of Nationalist China in the civil war. The possibilities of Sino-Japanese trade may be over-estimated, but in China's predicament the hope of even minor gains may be sufficient to warrant support of a Japanese recovery program.

However, it is believed that in its desire to replace Japan as the leading manufacturing nation of the Far East, China is more likely to advocate measures whereby Japanese economic revival might be prevented. China considers that the Far Eastern Commission decision to restrict Japanese industry to the 1930-1934 level establishes too high a standard and would prefer to see a much lower level adopted. The reduction of Japan's level of industry would also keep Japan militarily weak and decrease the possibility of political penetration of China and other Asiatic areas. The resumption of trade relations with Japan is not being received with enthusiasm, and in this regard

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the State Council of the Chinese Government has passed regulations restricting imports from Japan to certain non-competitive items. Any effort of the US to "crank up" the Japanese economy will be attacked by China for security and commercial reasons. China should acquiesce on this point, however, as her prospects for becoming a sizable exporter in the near future are negligible and a revived Japan might help relieve the economic situation in China to a slight degree.

China's over-all position regarding Japan's future geographical limitations is that Japan should be reduced to the four main islands as advocated by the Cairo Declaration. Without special interest in the Kurils, China, for the sake of consistency, will probably oppose the return of the Southern Kurils to Japan. China should vigorously object to Japanese retention of the Ryukyus and presumably will lay claim to this archipelago herself, although economically not equipped to undertake such governing responsibilities. The occupation of Formosa is a matter that the Chinese will wish to have legalized by the treaty. Chinese negotiators may ask to have reefs and islands in the South China Sea explicitly assigned to China by the treaty. China's representatives will ask for a specific renunciation of Japan's extraterritorial rights, privileges and concessions in China.

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III. DOMINIONS OF INDIA AND PAKISTAN

The Dominion of India will seek in the peace conference an opportunity as an independent power to bolster its international prestige. As a leading Oriental power India is concerned that Japan not be impoverished or denied means of legitimate livelihood on grounds that smack of racial prejudice or the intention of Western nations to keep the Orient under permanent subjection.

A Pan-Asiatic exponent, India will likely object to the large majority of non-Oriental powers at the peace conference and seek to place the responsibility for the future control of Japan and its demilitarization under the United Nations.

India will not wish to align itself with the Soviet viewpoint exclusively nor with an Anglo-American bloc. It is anticipated that India may echo Soviet sentiments on such issues as US unilateral action. Favoring an early peace, the Dominion does not agree with the Kremlin's demands for decisions by the Big Four. Instead, she favors a multilateral conference with a voting procedure by a two-thirds majority.

It appears that India is torn between a desire to resume her profitable prewar trade with Japan while fearing the repercussions of Japanese competition on certain of her infant industries. India has a definite fear of ulterior motives in the US pump-priming of Japanese economy.

The Dominion of Pakistan has indicated a desire to be represented at the Japanese peace conference and it is anticipated that this request will be granted by the other Allied powers. Sufficient evidence is lacking to permit an accurate forecast of Pakistan's position at the peace council. It is presently believed, however, that while her policies will follow more closely those of the US and the UK than will the policies of the Dominion of India, she shows the usual Oriental apprehension of continued Western attempts to dominate Asia.

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IV. BRITISH COMMONWEALTH

The results of the Canberra Conference indicate that the Commonwealth policy is based upon the maintenance of US strategic interests in the Pacific. With the exception of India on some issues, Commonwealth interests will not oppose American recommendations on the Japanese peace settlement. Departure from this policy may occur on the questions of Japan's economic recovery or on the extent of democratic penetration in Japan.

Britain apparently feels that prefabricated democratic reforms cannot be exported to Japan without fundamental institutional changes, particularly in the labor sphere. The Commonwealth would regard Japanese economic recovery without such changes as a potential menace to her own living standards. This is particularly true of the UK.

The Australian attitude may on occasion be motivated by Australia's desire for recognition as one of the "principal powers" in Pacific affairs.

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V. PHILIPPINES

Officially the Philippine Government has gone on record as favoring an early and moderate peace treaty with Japan. The strength of Philippine-American economic and political relations indicates that the Philippines will follow American leadership on most peace treaty issues. The Philippines probably will argue for a larger reparations share and a more ambitious removals program than that proposed by the US. Fearing Japanese competition, the Philippines will also resist proposals to revive Japanese light industries. On none of these questions, however, is the Philippine position likely to be so intransigent as to result in an outright vote against the American proposals. The Philippine attitude on the US position vis-a-vis the USSR is colored by irritation at the Soviet refusal to recognize Philippine independence.

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VI. FRANCE AND THE NETHERLANDS

The interests of both France and the Netherlands in the peace treaty have thus far not appeared to be great. It is likely that both countries will support the US on any issue which does not appear harmful to their own interests. As colonial powers that have suffered great loss of prestige in the War, France and the Netherlands will attempt to use the Conference as a sounding board for regaining prestige. Should the Japanese Peace Treaty be formulated prior to a treaty for Germany, France will be motivated by a desire to avoid establishing a precedent for too "soft" a peace. The Netherlands is motivated by (a) the economic requirements of the Dutch position in Indonesia and (b) the desire to create a precedent for the participation of the small interested nations in the discussions of a peace treaty for Germany.

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